

Message Text

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21

ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 DRC-01 /152 W

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R 290646Z MAR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 913

INFO AMEMBASSY BONN

UNCLAS TOKYO 4151

DEPT PASS TREASURY, FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN, U.S. AND FRG REPORTEDLY CONSULTING ON CURRENCY
MARKETS

SUMMARY: JAPANESE TOKYO SHIMBUN ON EVENING APRIL 28 CARRIED
FRONT PAGE REPORT ON "TACIT" AGREEMENT BETWEEN THE THREE
GOVERNMENTS FOR CLOSE CONSULTATIONS ON MONETARY DEVELOP-
MENTS, CHANGES IN MONETARY POLICIES, AND KEEPING EXCHANGE
RATES STABLE. MOF (FUJIOKA) DENIES EXISTENCE OF ANY SUCH
AGREEMENT BETWEEN THE THREE GOVERNMENTS. ASAHI EVENING
NEWS, APRIL 29, CARRIES STORY (AFP) OF SIMILAR DENIAL
BY FINANCE MINISTRY FRG. FOLLOWING IS FULL TEXT OF
JAPANESE PRESS REPORT CARRIED IN ENGLISH LANGUAGE MAINICHI
DAILY NEWS MORNING OF APRIL 29, WHICH ALSO APPEARED IN
JAPAN TIMES. JAPANESE LANGUAGE PRESS GAVE NO FURTHER
COVERAGE TO REPORT. END SUMMARY

QUOTE: TOKYO, WASH., BONN IN CLOSE CONTACT - ON MONETARY
PROBLEMS.

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JAPAN, THE UNITED STATES AND WEST GERMANY HAVE MADE

A 'TACIT' AGREEMENT PRIMARILY AIMED AT FORESTALLING VIOLENT FLUCTUATIONS OF THEIR FLOATING CURRENCIES, GOVERNMENT SOURCES DISCLOSED THURSDAY.

THE SOURCES SAID THE TRIPARTITE ACCORD WAS MADE, AT THE SUGGESTION OF THE U.S. MONETARY AUTHORITIES, IN THE MIDST OF MONETARY TURMOIL THAT FOLLOWED FRANCE'S WITHDRAWAL FROM THE COMMON MARKET JOINT FLOATING OF THEIR CURRENCIES.

THEY SAID THE AGREEMENT CALLED ON THE THREE COUNTRIES TO CONDUCT CLOSE CONSULTATIONS AMONG THEM PRIOR TO MAKING NEW DECISIONS ON MONETARY POLICIES, TO EXCHANGE INFORMATION FREQUENTLY ABOUT MONETARY DEVELOPMENTS, AND TO CARRY OUT MARKET INTERVENTION WITH A VIEW TO KEEPING THE DOLLAR-MARK AND DOLLAR-YEN EXCHANGE RATES STABLE.

UNDER THE AGREEMENT, THE TIMING AND SCALE OF MARKET INTERVENTION ARE LEFT TO THE DISCRETION OF INDIVIDUAL GOVERNMENTS, THE SOURCES ADDED.

THE SOURCES SAID THE ACCORD WAS A 'TACIT' ARRANGEMENT RATHER THAN A SOLID DOCUMENT AGREED UPON AMONG THE THREE GOVERNMENTS.

CLOSE CONSULTATIONS UNDER THE ACCORD HAVE BEEN CONDUCTED, WITH THE UNITED STATES PLAYING THE CENTRAL ROLE, THE SOURCES SAID.

THEY SAID 'HOT LINES' BETWEEN WASHINGTON AND BONN, AND BETWEEN WASHINGTON AND TOKYO HAD BEEN USED IN SUCH CONSULTATIONS IN THE PAST.

COMMUNICATIONS BETWEEN JAPAN AND WEST GERMANY HAVE BEEN MADE VIA THE JAPANESE EMBASSY IN BONN, THE SOURCES ADDED.

THE SOURCES SAID THERE HAD BEEN A FREQUENT EXCHANGE OF INFORMATION AMONG THE THREE CAPITALS FOR THE LAST FEW DAYS MAINLY ABOUT THE DEVELOPMENTS IN EUROPEAN UNCLASSIFIED

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MONEY CENTERS.

THE SOURCES SAID THE TRIPARTITE AGREEMENT HAD BEEN ENCOURAGED BY A COMMON JUDGMENT OF THE THREE GOVERNMENTS THAT BY KEEPING THE EXCHANGE RATES AMONG THEIR THREE 'KEY' CURRENCIES STABLE, THEY COULD HOPE FOR STABILIZATION OF THE GLOBAL FLOATING CURRENCY SYSTEM.

MONETARY EXPERTS SAID THE ACCORD MIGHT FACILITATE THE TASK OF ESTABLISHING AN ORDERLY FLOATING OF CURRENCIES, NOW BEING UNDERTAKEN BY THE INTERNATIONAL MONETARY FUND'S 'COMMITTEE OF 20' ON REFORM OF THE WORLD'S FINANCIAL SYSTEM.

OTHER MONETARY SPECIALISTS HELD THAT THE THREE GOVERNMENTS MIGHT BE CRITICIZED BY OTHERS FOR 'RUNNING ALONE.'

BOTH FINANCE MINISTRY AND BANK OF JAPAN OFFICIALS WOULD NOT SAY AT WHAT LEVEL JAPAN WAS OBLIGED UNDER THE AGREEMENT TO KEEP THE YEN'S EXCHANGE RATES VIS-A-VIS THE DOLLAR AND MARK.

MONEY SPECIALISTS BELIEVED THAT THE RANGE MIGHT BE BETWEEN A HIGH OF YEN275.00 AND A LOW OF YEN300.00 PER DOLLAR.

THEY SAID THAT BOTH THE BANK OF JAPAN AND THE GERMAN FEDERAL BANK WERE UNDERSTOOD TO HAVE STEPPED INTO THE MARKET TO BUY THE DOLLAR DURING THE LATEST MONETARY UNREST TRIGGERED BY THE SUSPENSION OF THE TWO-TIER EXCHANGE RATE SYSTEM BY FRANCE AND ITALY LAST WEEK. UNQUOTE. SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, MONETARY AGREEMENTS, CURRENCY STABILITY, CURRENCY CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO04151
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740069-0157
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974032/aaaaabvw.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2002 by elbezefj>; APPROVED <12 DEC 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAPAN, U.S. AND FRG REPORTEDLY CONSULTING ON CURRENCY MARKETS
TAGS: EFIN, JA, US, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005